E/CONF.39/D/171
SUMMARY
9 Nov.1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

Agenda Item: D.1

United States of America

CREATING A PRACTICAL INDUSTRIAL DEVELOPMENT PROGRAM

By Murray D. RYCE,
Arthur D. Little, Inc.,
Cambridge, Massachusetts

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CREATING A PRACTICAL INDUSTRIAL DEVELOPMENT PROGRAM

by
Murray D. Bryce
Arthur D. Little, Inc., Cambridge, Massachusetts

1. A country enjoying a reasonable degree of good order and good government can accelerate industrial development if it takes the initiative and organizes an aggressive program. Certain conditions must exist, of course: a fair degree of economic stability; an environment that provides freedom for the operations of initiative; sufficient development of the infrastructure to support industrial growth.

2. An industrial development program needs to rest on three basic concepts: First, that government should play an active role in creating a good environment for industry and in identifying industrial opportunities, developing projects and attracting private capital and management to projects found to be of value to the national economy; second, that industrial development probably will require importing technology from industrialized countries and, therefore, that thoughts should be given to incentives to stimulate inflow of foreign capital and management; third, that there is a vast range in the value of industrial projects to a country, and that the value of projects should be measured, so far as possible, to determine what subsidy, if any, the country should give as an incentive.

3. Five functions of industrial development should be considered as basic elements of the program. Improving the investment climate means creating the environment conducive to faster industrial growth. Factors which may need attention include taxation, import and tariff policies, foreign exchange regulation, immigration rules, the availability and pricing of land, fuel, power, transport and communications, and the attitude of government and labor toward private business and the import of capital and personnel. After identifying the environmental problems of industry, organized action can be taken to remove barriers that may exist

4. Identifying industrial opportunities is the systematic and imaginative search for possible industrial projects which have not yet been developed. This function, in some societies performed by businessmen, needs official action in a country lacking entrepreneurs. Studies of broad industrial sectors by industry specialists may reveal neglected opportunities. Others may be found by analyzing imports and exports, by observing successful developments elsewhere, and by examining inter-industry relationships. Through this screening, potential opportunities which merit study will be found.

5. Measuring the feasibility of projects requires evaluation of three kinds of feasibility. The first is technical feasibility: a project must be designed with appropriate technology, be located in a strategic place, and have access to suitable materials and facilities on a reliable and economic basis. The second is commercial feasibility: a project must be a sound investment regardless of whether private or public funds are to be invested. It must be able to produce at prices for which the product can be sold in the volume necessary, so that the capital will be fruitfully employed. The third is national economic feasibility: a project must have value to the country's economy. Only if analysis shows the industry will benefit the economy can a special subsidy be justified.

6. Attracting investment is the marketing function of the program and possibly the most important. While general publicity is worthwhile, investment promotion needs to relate to specific individual projects and be directed at specific potential investors who have been identified as likely prospects. Investment attraction should be directed primarily to companies with specialized technical and marketing experience for the product to be made, and secondarily to financial institutions.

7. Assisting prospective investors is the function of helping investors gather information on which to base their decision, aiding them in becoming acquainted with the country, helping them to realize the incentives and secure official support, and serving as their advisers and consultants in meeting the problems of investment arrangements and starting their industrial enterprises.

8. These functions make up the industrial development program. They need to be performed by people working in a well-organized institution. These functions fit together well in one organization, which may be called an Industrial Development Center (IDC). Other important functions such as project financing, productivity improvement, and applied research should be performed by other, more specialized institutions. The IDC is basically an official agency, but it should occupy a position midway between government and the private sector. It may be controlled by a board of directors representing both government and business. The IDC should be led by a director of prominence and great organizing and promoting ability, and he should have full authority to manage it.

9. The IDC may well be organized into four divisions. The Economics Division should undertake duties not related to any one project, such as investment climate improvement work, but to planning infrastructure studies, and preliminary screening for industrial opportunities. The Industries Studies Division should do project work including feasibility studies, plant design and costing, and financial estimates. The Investment Promotion Division should identify potential investors for specific projects and attempt to attract their interest. The Investor Service Division should assist potential investors in all possible ways up to the time when their projects are operating successfully. The effective operation of the IDC requires staffing by industrially experienced economists and engineers in the analytical divisions, by energetic salesmen in the Promotion Division, and by capable business consultants in the Investor Service Division.

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